



# Personal Home Rentals



*Many property owners are not aware that they may be required by law to collect and remit retail sales tax, and possibly other lodging taxes, if they rent out their homes for periods of less than 30 days. Such short term rentals are referred to as “transient rentals.” This fact sheet contains important information for persons who rent out their personal homes, including condominiums and time share units, located in Washington.*

## TRANSIENT RENTAL BUSINESS

To determine whether a person is engaging in a transient rental business, the Department presumes that a person renting his/her personal home three or more times in any calendar year for periods of **less than 30 days each** is engaged in a taxable business activity. (Longer term rentals – monthly rentals of 30 days or more – are not counted in determining the threshold for collecting and reporting taxes.) Property owners in the transient rental business must register with the Department of Revenue and collect and remit retail sales tax and lodging taxes on all transient rentals. The tax is reported and paid by filing a state excise tax return. Once registered with the Department, regular returns will be mailed to the property owner for this purpose.

Anyone who intends to regularly engage in a transient rental business must immediately collect and report tax. Examples of intent to engage in the transient rental business include advertising the availability of your personal home for transient rental in a newspaper or on the Internet, or hiring a property manager to handle the rental of your home.

## TAX OBLIGATIONS

Other than for the exception noted above, tax must be collected on transient rentals during the first calendar year in which you exceed two transient rentals. The tax is collected the third time the property is rented in the first year. For all subsequent years, even if you only rent the home once or twice, tax must be collected and reported on all transient rentals.

## COLLECTING TAXES FROM GUESTS

Both the state and local sales tax rates must be collected from guests at the time they are billed for the rental. The state rate is 6.5 percent, and the local rate depends upon where the rental property is located. Local sales tax rates vary from 0.5 to 2.5 percent.

In addition to the regular sales tax, the Special Hotel/Motel Tax may apply at rates from 1.0 to 5.0 percent in certain areas. Other lodging taxes also apply to businesses with multiple units, but these do not currently apply to single home rentals. These include the Convention and Trade Center Tax, and the Tourism Promotion Area Charges.

## PROPERTY MANAGERS MUST COLLECT AND REMIT TAXES ON THE HOMEOWNERS BEHALF

While individuals are not required to collect sales tax until the third transient rental in a calendar year, all transient rentals through property management services are taxable. The property manager, as an agent of the homeowner, is required to collect sales tax and lodging taxes on behalf of the homeowner. This is true even if there is only one rental of a property under their management in the first year. You should be aware that you, as the property owner, may be liable for any taxes not collected by the property manager.

## EXAMPLES OF TAXABILITY

Rental scenario	Tax obligation
<b>Year 1</b> John bought a cabin as a retirement home on San Juan Island. He considered renting the cabin when he would not be using it. John had no idea how often he might rent it, but by word of mouth, he rented it out once within the first calendar year for 10 days.	John is not required to register with the Department of Revenue, or to collect sales tax and other lodging tax because he did not intend to rent it out frequently, and he in fact only entered into one rental agreement during the year.
<b>Year 2</b> John rented the home five times with five separate rental agreements as follows: Rental #1 - 30 days Rental #2 - 32 days Rental #3 - 35 days Rental #4 - 14 days Rental #5 - 21 days	John is not required to register with the Department of Revenue, or collect sales tax/lodging taxes. Only the transient rentals are counted in determining the taxable threshold, and John engaged in only two transient rentals (less than 30 days) during the year.
<b>Year 3</b> John rented the house four times, each for a period of less than 30 days.	John needs to register at the time he rents out his house for the third rental period during this year. John must collect tax on both the third and fourth rental periods, and remit the collected taxes to the Department of Revenue.
<b>Year 4</b> John rents out his house only once for a period of 29 days.	The very first transient rental is subject to sales tax/lodging taxes because John exceeded the taxable threshold in Year 3. Also, for all years after this year, John must collect taxes on all transient rentals.

### BUSINESS AND OCCUPATION (B&O) TAX

Property owners are responsible for paying any “retailing” business and occupation (B&O) tax due. This is a tax calculated on gross receipts of the business. The rate is currently 0.471 percent (\$4.71 per thousand dollars of taxable rental income). However, a property owner may qualify for the Small Business B&O Tax Credit, depending on the amount of the rental income. For information on the credit, call the Department’s Telephone Information Center toll free at 1-800-647-7706, or see our Small Business B&O Tax Credit publication, available online at <http://dor.wa.gov>. This information will also be provided in a new business packet that will be mailed to you once your tax reporting account has been established.

### PAYING THE TAXES COLLECTED

You will report and pay the taxes by filing a state excise tax return. On the return you will report your taxable rental

income and calculate state and local taxes due. You will receive regular excise tax returns once you register with the Department of Revenue.

### REGISTERING WITH THE DEPARTMENT

You can register in one of two ways:

1. Go to our web site (<http://dor.wa.gov>) and click on “Forms,” then “Master Application.”
2. Call toll free at 1-800-647-7706 to request an application. Complete and send it to the address noted on the application.

Once registered, you will receive a business license and a Unified Business Identifier (UBI) from the Department of Licensing. This UBI number is a unique number assigned to you, and it is the “registration number” used for reporting to the Department of Revenue.

## ELECTRONIC FILING – REPORTING THE FAST AND EASY WAY



Filing your returns electronically through E-file is the fastest and easiest way to report. You can also pay your taxes online using a variety of

electronic payment methods. To learn more, go to our web site (<http://dor.wa.gov>) and click on “Online Services.” Or call our tax specialists at 1-800-647-7706 if you have questions or need assistance.

## TAXABLE SALES IN PAST YEARS

The Department will begin enforcing collection of sales and lodging taxes on transient rentals beginning January 1, 2006. For periods prior to January 1, 2006 you will not be held liable for uncollected sales and lodging taxes if:

1. You have not been previously notified by the Department of Revenue that your rental activity is subject to tax;
2. You have not collected sales and/or lodging taxes on transient rentals of your personal home(s) at any time in the past.

For further information on the taxability of lodging, refer to our Lodging Tax Guide at: <http://dor.wa.gov>. Click on “Taxes” then click on “Industry Specific.”

## QUESTIONS?

If you have any questions, please call our Telephone Information Center at 1-800-647-7706.

## REQUEST FOR RULING

If you would like to request a ruling on the taxability of your activities, write to:

Taxpayer Information and Education Section  
Washington Department of Revenue  
PO Box 47478  
Olympia, WA 98504-7478

**PLEASE NOTE:** Personal property taxes may apply to the value of your household items, including furniture, appliances, artwork, and any other item of tangible personal property used to furnish a home that is rented out. However, there may also be certain exemptions available. Contact your county assessor for details on how to report the personal property, and how to claim any exemptions from the tax.



## LODGING TAXES

Examples of Lodging Taxes by location (excluding taxes currently imposed on transient rental facilities with multiple units):

City	Retail Sales Tax	Special Hotel/Motel Tax	Calculation example*
Spokane	0.085	None if fewer than 40 rooms	<b>\$51.00</b> (\$600 x 0.085)
Seattle	0.088	None	<b>\$52.80</b> (\$600 x 0.088)
Leavenworth	0.080	0.03	<b>\$66.00</b> (\$600 x 0.11)
Vancouver	0.077	0.02	<b>\$58.20</b> (\$600 x 0.097)
Ocean Shores	0.083	0.03	<b>\$67.80</b> (\$600 x 0.113)

\* The calculation examples reflect taxes due assuming a single unit rented for \$600. The tax rates reflect rates in effect as of the date of publication, but are subject to change.



<http://dor.wa.gov>

Telephone Information Center  
1-800-647-7706

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